

WHISPERING SPRINGS COMMUNITY DEVELOPMENT DISTRICT

Annual Financial Statements
As of and for the Year Ended June 30, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

4/21/10

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**Whispering Springs Community Development District
Annual Financial Statements
As of and for the Year Ended June 30, 2009
With Supplemental Information Schedules**

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**MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.**

Certified Public Accountants



Independent Auditor's Report on the Basic Financial Statements

**Whispering Springs Community Development District
8280 YMCA Dr., Suite 4-B
Baton Rouge, LA 70810**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Whispering Springs Community Development District, as of and for the year ended June 30, 2009, which collectively comprise the District's Basic Financial Statements as listed in the Table of Contents. These financial statements are the responsibility of the Whispering Springs Community Development District's management. Our responsibility is to express our opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Basic Financial Statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Whispering Springs Community Development District, as of June 30, 2009, and the respective changes in financial position as of and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 16, the District has negative net assets of \$829,332.04 as of June 30, 2009 and is dependent on Development District lot sales, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustment in the amount and classification of liabilities that might be necessary if the District is unable to meet its obligations as they come due.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2010, on our consideration of the Whispering Springs Community Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, on pages 7 through 10, and the budget-actual comparison on page 35 of this report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Malcom M. Dienes, L.L.C.

Certified Public Accountant
February 23, 2010

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Require Supplemental Information (Part I)
Management's Discussion and Analysis

**Whispering Springs Community Development District
Management's Discussion and Analysis
For the Years Ended June 30, 2009
(UNAUDITED)**

Our discussion and analysis of Whispering Springs Community Development District's (the "District") financial performance provides an overview of the District's financial activity for the period ended June 30, 2009. It should be read in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the years ended June 30, 2009 include the following:

- The liabilities of the District exceeded its assets at June 30, 2009 by \$829,332.04 (net assets).
- The majority of this amount is related to the investment in capital assets and the related bonds payable. The District had no restricted assets for the current year ended.
- Total assets decreased by \$448,194.49 and total liabilities did not change.

OVERVIEW OF THE FINANCIAL STATEMENTS. The MD&A is intended to serve as an introduction to the District's basic financial statements which are the government-wide financial statements, the fund financial statements and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements are designed by GASB Statement 34 to change the presentation of governmental financial statements. It provides readers with an "entity-wide" Statement of Net Assets and Statement of Activities. This gives the user of the financial statements a board overview of the District's financial position and results of operations in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all of the District's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the District. Over time, increases or decreases in net assets helps determine whether financial position is improving or deteriorating.

The *Statement of Activities* provides information that shows how the District's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, similar to private-sector businesses. All changes in net assets are reported as soon as the underlying event giving rise to the revenue or expense occurs, regardless of when the cash is received or paid.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District are governmental type funds. Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, the readers may get a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District adopted an annual budget for the fiscal year 2009.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

STATEMENT OF NET ASSETS

| | 06/30/2008 | 06/30/2009 |
|---|------------------------|------------------------|
| Current Assets | | |
| Cash & Cash Equivalents | \$ 1,237,745.61 | \$ 484,026.71 |
| Investment – Restricted | <u>687,000.00</u> | <u>687,000.00</u> |
| Total Current Assets | <u>1,924,745.61</u> | <u>1,171,026.71</u> |
| Noncurrent Assets | | |
| Interest Receivable | 7,814.63 | 7,814.63 |
| Assessment Receivable | 6,244,830.00 | 6,244,830.00 |
| Plant, Property and Equipment (net) | 4,404,329.49 | 4,728,816.06 |
| Underwriter's Discount | 120,568.50 | 111,637.50 |
| Cost of Issuance | <u>135,420.66</u> | <u>125,389.50</u> |
| Total Noncurrent Assets | <u>10,912,963.28</u> | <u>11,218,487.69</u> |
| Total Assets | <u>12,837,708.89</u> | <u>12,389,514.40</u> |
| Current Liabilities | | |
| Interest Payable on Bond | <u>89,310.00</u> | <u>89,310.00</u> |
| Total Current Liabilities | <u>89,310.00</u> | <u>89,310.00</u> |
| Noncurrent Liabilities | | |
| Legal Fees Payable | 14,706.44 | 14,706.44 |
| Deferred Revenue | 6,244,830.00 | 6,244,830.00 |
| Bonds Payable | <u>6,870,000.00</u> | <u>6,870,000.00</u> |
| Total Long-term Liabilities | <u>13,129,536.44</u> | <u>13,129,846.44</u> |
| Total Liabilities | <u>13,218,846.44</u> | <u>13,218,846.44</u> |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 251,213.60 | 32,406.99 |
| Restricted for Capital Projects | - | - |
| Restricted for Debt Services | - | - |
| Net Assets – Unrestricted | <u>(632,351.15)</u> | <u>(861,739.03)</u> |
| Total Net Assets | <u>\$ (381,137.55)</u> | <u>\$ (829,332.04)</u> |

STATEMENT OF ACTIVITIES

The District provides infrastructure for the District and accounts for the related debt.

Sources of revenue for the District include earnings on investments and assessments on property. The following condensed Statement of Activities shows the major sources of revenues and expenses.

| | 2007-2008 | 2009 |
|--------------------------------------|------------------------|------------------------|
| Revenues: | | |
| Other Assessments | \$ 70,635.31 | \$ 4,000.00 |
| Interest | <u>242,448.70</u> | <u>41,327.13</u> |
| Total Revenue | <u>313,084.01</u> | <u>45,327.13</u> |
| Expenses: | | |
| Bond Interest | 554,383.55 | 357,240.00 |
| Bond Discount | 13,396.50 | 8,931.00 |
| Cost of Issuance | 15,046.74 | 10,031.16 |
| Depreciation Expense | 88,954.64 | 117,319.46 |
| Legal Fees | <u>4,706.44</u> | <u>-</u> |
| Total Expenses | <u>676,487.87</u> | <u>493,521.62</u> |
| Increase (Decrease) in Net Assets | (363,403.86) | (448,194.49) |
| Net Assets at Beginning of the Year | (220,327.02) | (381,137.55) |
| Net Assets - Prior Period Adjustment | <u>202,593.33</u> | <u>-</u> |
| Net Assets, End of Year | <u>\$ (381,137.55)</u> | <u>\$ (829,332.04)</u> |

Revenue

Interest earnings on investments were \$41,327.13 and other assessments were \$4,000.00.

Expenses

The bond interest was \$357,240.00. Principal payments start in 2011.

Budgetary Highlights

The District adopted a budget for the fiscal year 2009. Budgeted revenues exceeded actual revenues by \$162.00 and actual expenses were \$2,420.00 over budget.

Capital Assets

The District's investment in capital assets, net of depreciation was \$4,728,816.06 at June 30, 2009. This increase was to infrastructure cost.

Long Term Debt

In 2006, the District issued \$6,870,000.00 Series 2006 Special Assessment Bonds to fund the construction, installation and acquisition of master infrastructure improvements within the District. At June 30, 2009, the District had bonds payable in the amount of \$6,870,000.00.

CURRENT AND EXPECTED CONDITIONS

As a result of the deterioration of the national real estate market and capital markets as well as the Livingston Parish real estate market, the District has been obliged to extend the construction time line and revise and reduce the size and scope of the 2006 Series Project. In a Supplemental Trust Indenture dated October 1, 2008, \$641,912.77 was transferred from the Series 2006 Acquisition and Construction Account to the Series 2006 Capitalized Interest Account to provide sufficient funds to pay for an additional twenty-four months of capitalized interest. The remaining balance of the Acquisition and Construction Account, will be used in connection of completion of the project.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Whispering Springs Development District at 8280 YMCA Dr., Ste. 4-B, Baton Rouge, LA 70810.

Whispering Springs Community Development District
Statement of Net Assets
June 30, 2009

Statement A

ASSETS

Current Assets

| | |
|------------------------------------|---------------------|
| Cash & Cash Equivalents-Restricted | \$ 484,026.71 |
| Investments - Restricted | <u>687,000.00</u> |
| Total Current Assets | <u>1,171,026.71</u> |

Noncurrent Assets

| | |
|-------------------------------------|----------------------|
| Interest Receivable | 7,814.63 |
| Assessments Receivable | 6,244,830.00 |
| Plant, Property and Equipment (Net) | 4,728,816.06 |
| Underwriter's Discount | 111,637.50 |
| Cost of Issuance | <u>125,389.50</u> |
| Total Noncurrent Assets | <u>11,218,487.69</u> |

| | |
|---------------------|----------------------|
| Total Assets | <u>12,389,514.40</u> |
|---------------------|----------------------|

LIABILITIES

Current Liabilities

| | |
|---------------------------|------------------|
| Interest Payable on Bonds | <u>89,310.00</u> |
| Total Current Liabilities | <u>89,310.00</u> |

Noncurrent Liabilities

| | |
|-------------------------------|----------------------|
| Legal Fees Payable | 14,706.44 |
| Deferred Revenue | 6,244,830.00 |
| Bonds Payable | <u>6,870,000.00</u> |
| Total Non-Current Liabilities | <u>13,129,536.44</u> |

| | |
|--------------------------|----------------------|
| Total Liabilities | <u>13,218,846.44</u> |
|--------------------------|----------------------|

NET ASSETS

Net Assets

| | |
|---|------------------------|
| Invested in Capital Assets, Net of Related Debt | 32,406.99 |
| Restricted for Capital Projects | - |
| Restricted for Debt Service | - |
| Net Asset - Unrestricted | <u>(861,739.03)</u> |
| Total Net Assets | <u>\$ (829,332.04)</u> |

The accompanying notes are an integral part of these financial statements.

Whispering Springs Community Development District
Statement of Activities
For the Year Ended June 30, 2009

Statement B

| | <u>Expenses</u> | <u>Program Revenues Operating Grants</u> | <u>Net Revenue (Expense) and Changes in Net Assets Governmental Activities</u> |
|--|----------------------|--|--|
| Expenses | | | |
| Governmental Activities - | | | |
| Bond Interest | \$ 357,240.00 | \$ - | \$ 357,240.00 |
| Bond Discount | 8,931.00 | - | 8,931.00 |
| Cost of Issuance | 10,031.16 | - | 10,031.16 |
| Depreciation Expense | 117,319.46 | - | 117,319.46 |
| Legal Fees | - | - | - |
| Total Expenses | \$ 493,521.62 | \$ - | 493,521.62 |
| General Revenues | | | |
| Other Assessments | | | \$ 4,000.00 |
| Interest | | | 41,327.13 |
| Total General Revenues | | | 45,327.13 |
| (Decrease) in Net Assets | | | (448,194.49) |
| Net Assets, Beginning of the Year | | | (381,137.55) |
| Net Assets, End of Year | | | \$ (829,332.04) |

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements
Governmental Funds Financial Statements

Whispering Springs Community Development District
Balance Sheet
Governmental Funds
June 30, 2009

Statement C

| | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|-----------------------------|-------------------------|---|
| Assets | | | |
| Cash & Cash Equivalents-Restricted | \$ 584.21 | \$ 483,442.50 | \$ 484,026.71 |
| Investments - Restricted | - | 687,000.00 | 687,000.00 |
| Assessments Receivable | - | 6,244,830.00 | 6,244,830.00 |
| Total Assets | <u>584.21</u> | <u>7,415,272.50</u> | <u>7,415,856.71</u> |
| Liabilities & Fund Balance | | | |
| Liabilities: | | | |
| Deferred Revenue | - | 6,244,830.00 | 6,244,830.00 |
| Total Liabilities | <u>-</u> | <u>6,244,830.00</u> | <u>6,244,830.00</u> |
| Fund Balance: | | | |
| Restricted for Debt Service | - | 1,170,442.50 | 1,170,442.50 |
| Restricted for Capital Projects | 584.21 | - | 584.21 |
| Unreserved | - | - | - |
| Total Fund Balance | <u>584.21</u> | <u>1,170,442.50</u> | <u>1,171,026.71</u> |
| Total Liabilities & Fund Balance | <u>\$ 584.21</u> | <u>\$ 7,415,272.50</u> | <u>\$ 7,415,856.71</u> |

The accompanying notes are an integral part of these financial statements.

**Whispering Springs Community Development District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009**

Statement D

| | |
|--|------------------------|
| Total Fund Balances, Governmental Funds | \$ 1,171,026.71 |
|--|------------------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

| | |
|---|--------------|
| Governmental capital assets, net of Accumulated Depreciation | 4,728,816.06 |
| Unamortized debt issue cost which are recorded as current expenditures in governmental activities | 125,389.50 |
| Unamortized bond discount costs which are recorded as current expenditures in governmental activities | 111,637.50 |
| Accrued legal fees not recorded in governmental activities | (14,706.44) |
| Accrued bond interest not recorded in governmental activities | (89,310.00) |
| Interest receivable not recorded in governmental activities | 7,814.63 |

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

| | |
|---------------|----------------|
| Bonds payable | (6,870,000.00) |
|---------------|----------------|

| | |
|--|-------------------------------|
| Net Assets, Governmental Activities | \$ <u>(829,332.04)</u> |
|--|-------------------------------|

The accompanying notes are integral part of these financial statements.

Whispering Springs Community Development District
Statement of Revenues, Expenditures, and Changes in Fund Balances **Statement E**
Governmental Funds
For the Year Ended June 30, 2009

| | Capital Projects Fund | Debt Service | Total Governmental Funds |
|--|--------------------------|------------------------|--------------------------------|
| Revenues | | | |
| Other Assessments | \$ - | \$ 4,000.00 | \$ 4,000.00 |
| Interest Earned | 7,944.00 | 33,383.13 | 41,327.13 |
| Total Revenues | <u>7,944.00</u> | <u>37,383.13</u> | <u>45,327.13</u> |
| Expenditures | | | |
| Current Expenditures: | | | |
| Capital Outlay: | | | |
| Capital Outlay | 441,806.03 | - | 441,806.03 |
| Debt Service: | | | |
| Principal | - | - | - |
| Interest | - | 357,240.00 | 357,240.00 |
| Trustee Fee | - | - | - |
| Bond Discount | - | - | - |
| Cost of Issuance | - | - | - |
| Total Expenditures | <u>441,806.03</u> | <u>357,240.00</u> | <u>799,046.03</u> |
| Excess Revenues over Expenditures | <u>(433,862.03)</u> | <u>(319,856.87)</u> | <u>(753,718.90)</u> |
| Other Financing Sources | | | |
| Transfers In | - | 799,206.89 | 799,206.89 |
| Transfers Out | (799,206.89) | - | (799,206.89) |
| Bond Proceeds | - | - | - |
| Net Change in Fund Balance | <u>(1,233,068.92)</u> | <u>479,350.02</u> | <u>(753,718.90)</u> |
| Fund Balance, Beginning of Year | <u>1,233,653.13</u> | <u>691,092.48</u> | <u>1,924,745.61</u> |
| Fund Balance, End of Year | <u>\$ 584.21</u> | <u>\$ 1,170,442.50</u> | <u>\$ 1,171,026.71</u> |

The accompanying notes are an integral part of these financial statements.

**Whispering Springs Community Development District
Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009**

Statement F

Total Net Change in Fund Balances, Governmental Funds **\$ (753,718.90)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

| | |
|----------------------|--------------|
| Capital Outlay | 441,806.03 |
| Depreciation Expense | (117,319.46) |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net assets.

| | |
|------------------------------|--------------------|
| Proceeds from Long Term Debt | - |
| Bond Discount | (8,931.00) |
| Bond Issuance Cost | <u>(10,031.16)</u> |

Change in Net Assets, Governmental Activities **\$ (448,194.49)**

The accompanying notes are integral part of these financial statements.

Basic Financial Statements

Notes to the Financial Statement

Whispering Springs Community Development District
Notes to the Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

"Community Development District" or "District" means a special district as provided in Article VI, Section 19 of the Constitution of Louisiana, which is created pursuant to this Chapter and limited to the performance of those specialized functions authorized by this Chapter, the boundaries of which are contained wholly within a single parish; the governing head of which is a body created, organized and constituted and authorized to function specifically as prescribed in this Chapter for the delivery of community development services; and the formation, powers, governing body, operation, duration, accountability, requirements for disclosure, and termination of, as required by general law.

A. Reporting Entity

Whispering Springs Community Development District, Parish of Livingston, State of Louisiana (the "District") is a public corporation and community development district organized and existing under the provisions of Chapter 27-B of Title 33 of the Louisiana Statutes of 1950, as amended, specifically La. RS. 33:9039.11 through 9039.37, inclusive (the "Act"), and pursuant to an Ordinance duly adopted by the Council Members of the Livingston Parish Council (primary government), State of Louisiana, effective on August 10, 2006 (the "Ordinance"); the District is comprised of and includes all of the immovable property situated within the described boundaries.

Pursuant to the provisions of the Act, the District is authorized to finance, fund, plan, establish, acquire construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the following: (1) water management and control for the lands on the District, including the connection of some or any of such facilities with road and bridges; (2) water supply, sewer and wastewater management, reclamation and refuse, or any combination thereof; (3) bridges or culverts that may be needed across any drain, ditch, canal, flood way, holding basin, excavation, public highway, tract, grade, fill or cut and roadways over levees and embankment; and (4) roads and streets in the District.

The District is an entity administered by a Board of Supervisors ("Board") that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members, serving a term of four years. Of the five, two are elected as officers of the District; Chair (person) and Secretary. Each Officer serves a term of four years.

The Board of Supervisors appoints the Chairman of the Board from existing Board members. The Chair's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a Board, commission or business organization; and exercise supervision over the business of the District, its officers and employees.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

The District is authorized by the Act to levy and collect non-ad valorem special assessments against all immovable property situated in the District that is subject to assessment as a result of the projects to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the District. The Board of the District shall exercise the powers granted to the District pursuant to this Chapter. The Board shall consist of five members; except as otherwise provided herein, each member shall serve for a term of four years and until a successor is chosen and qualifies. The initial members of the Board shall be residents of the state, and at least one of the initial members shall be a resident of the area immediately adjacent to the District. Commencing six years after the initial appointment of members, the positions of each member whose term has expired shall be filled by a qualified elector of the District, elected by the qualified electors of the District in accordance with Title 18 of the Louisiana Revised Statutes of 1950. However, in districts consisting of a population of less than six hundred persons, the governing authority of the parish or municipality that created the District shall appoint members of the Board.

Members of the Board shall be known as supervisors and, upon entering into office, shall take an oath of office. They shall hold office for the term for which they were elected/appointed and until their successors are chosen and qualified. If, during the term of office, a vacancy occurs, the remaining members of the board shall fill the vacancy by an appointment for the remainder of the unexpired term.

A majority of the members of the Board constitutes a quorum for the purposes of conducting its business and exercising its powers and for all other purposes. Actions taken by the District shall be upon vote of a majority of the members present unless general law or a rule of the district requires a greater number.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity", in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and whether 1) the District has the ability to impose its will over the organization or 2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the District. Using these criteria, the District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants, entitlements and interest associated with the current fiscal period, are all considered susceptible to accrual, and as such have been recognized as revenue of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District has two governmental funds.

The District reports the following governmental funds:

Debt Service Fund - The Debt Service Fund accounts for the accumulation of financial resources for payment of interest and principal on the debt of the District.

Capital Projects Fund - The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Revenues and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty-one days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: 1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; 2) matching requirements, in which the District must provide local resources to be used for a specific purpose; and 3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

D. Cash and Cash Equivalents

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Investments". For presentation in the financial statements, investments in the Money Market Accounts are considered to be cash equivalents.

E. Restricted Assets

Restricted assets are cash, cash equivalents and investments whose use is limited by legal requirements. Restricted cash, cash equivalents and investments represent amounts required by debt covenant to be segregated for final year debt payment and accrued interest on the bonds. Restricted cash, cash equivalents and investments also represent special assessment proceeds restricted for completion of the District's infrastructure projects. The Trustee, pursuant to the Master Indenture Agreement, has established accounts for the following purposes:

- a) *Interest Funds*- An account used to transfer funds to pay interest payments.
- b) *Principal Funds*- An account used to transfer funds to pay principal payments.
- c) *Debt Service Reserve Fund*- An account funded from bond proceeds used to replenish the interest and principal accounts in case of deficiency or to pay debt service if no other money is lawfully available (i.e. insurance proceeds).
- d) *Acquisition and Construction Fund*- An account to which bond proceeds are deposited. Payments are to be made for any unpaid issuance cost and cost of planning, financing, acquisition, construction, reconstruction, equipping and installation of the applicable project. Before any disbursements are made from this fund, the Issuer must file with the Trustee a fully executed requisition.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

- e) *Capitalized Interest Fund*- An account used to fund bond interest during the construction period.
- f) *Revenue Fund*- An account to which special assessments are deposited. These special assessments are not the prepayments which are deposited into the Prepayment Account.
- g) *Prepayment Fund*- An account in which prepaid assessments are deposited.
- h) *Rebate Fund*- An account used to make all rebate payments to the United States of America pursuant to the Arbitrage Rebate Covenants.
- i) *Bond Redemption Fund*- An account into which all funds from special assessments, acquisitions and construction monies are deposited.
- j) *Administration Account* - An account in which 1% of the prepaid assessments are deposited and used to fund annual and ongoing expenses associated with the bond issue.

Each bond issue has the following accounts set up by the Trustee and the amounts in these accounts are restricted to the use as the account dictates.

2006 Bond Issue

| | | |
|-----------------------------------|----|---------------------|
| Interest Fund | \$ | 8.72 |
| Principal Fund | | - |
| Debt Service Reserve Fund | | 702,629.25 |
| Acquisition and Construction Fund | | 584.21 |
| Capitalization Interest Fund | | 467,804.48 |
| Administration Fund | | 0.05 |
| Principal Prepayment Fund | | - |
| Total 2006 Bond Issue | \$ | <u>1,171,026.71</u> |

Reserve Requirement

| Bond Issue | Date | Requirement | Amount |
|------------|------------|--------------|--------------|
| 2006 | 06/30/2009 | \$687,000.00 | \$687,000.00 |

F. Interfund Transaction

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

G. Capital Assets

General capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend the asset's life, are not capitalized.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Years</u> |
|--------------------------------------|------------------------|
| Land, Right of Ways, Lakes and Ponds | N/A |
| Roads and Streets | 40 |
| Drainage | 25 |
| Landscaping | 25 |
| Utility Plants & Systems | 25 |
| Fire Hydrant | 25 |

H. Intergovernmental Revenues

For the governmental fund, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

I. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

J. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

K. Assessment Methodology

The District uses an Assessment Methodology Consultant, District Manager Inc., to determine and establish the special assessment that will be levied against all assessable property in the District. The Consultant determines that the assessments will be an amount sufficient to provide for the cost of the infrastructure and common improvements, capitalized and accrued interest, on-going district management and legal counsel and issuance cost on the Bonds issued to finance the infrastructure and common improvements to be acquired. All assessable property in the Development will benefit in the same manner from the use of the infrastructure and common improvements, and, as such, all such property will be assessed utilizing the same method.

The benefitted assessment cost allocation is derived by calculating the value of infrastructure improvements throughout the Development, based upon estimated value of lots, for all assessable properties in the District and applying a factor weighted to each lot's estimated value in an amount sufficient to cover the cost of financing the infrastructure and common area, publicly owned improvements.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

The methodology used to establish and determine the benefit special assessments, which will pay the cost of the Project, has been presented to and approved by the Board of Supervisors of the District and is set forth in the Allocation of Infrastructure Cost & Assessment Methodology Report prepared by District Manager Inc.

L. Prepaid Items

Prepaid items reflect items that have been paid that would benefit future periods.

M. Special Bond Provisions

The Series 2006 Bonds are limited obligations of the District payable solely from and secured by the pledge and assignment of and lien upon the pledged revenues pursuant to the indenture and neither the property, the full faith and credit, nor the taxing power of the District, the Parish, the State of Louisiana, or any political subdivision thereof, is pledged as security for the payment of the Bonds, except that the District is obligated under the indenture and the Act to levy and to evidence and certify, or cause to be certified, for collection, special assessments to secure and pay the Bonds. The Bonds do not constitute an indebtedness of the District, the Parish, the State of Louisiana, or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation.

The Series 2006 Bonds authorized under the indenture and the obligation evidenced thereby shall not constitute a lien upon any property of the District, including, without limitation, the project or any portion thereof in respect of which such Bonds are being issued, or any part thereof, but shall constitute a lien only on the pledged revenues as set forth in the indenture. Nothing in the Bonds authorized under the indentures or in the indentures shall be construed as obligating the District to pay the Bonds or the redemption price thereof or the interest thereon except from the pledged revenues, or as pledging the faith and credit of the District, the Parish or the State of Louisiana or any political subdivision thereof, or as obligating the District, the Parish, or the State of Louisiana or any of its political subdivisions, directly or indirectly or contingently, to levy (except for the special assessments levied by the District) or to pledge any form of taxation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a state agency, the District is subject to various state laws and regulations. The District complies with all state laws and regulations requiring the use of separate funds.

3. CASH AND INVESTMENTS

The District is authorized to make direct investments in United States government bonds, treasury notes, treasury bills or certificates, or time certificates of deposit in state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana or any other federally insured investment, or guaranteed investment contracts issued by a financial institution having one of the two highest rating categories or in mutual or trust fund institutions which are registered with the SEC and which have underlying investments consisting solely of and limited to securities of government or its agencies.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 provides for investments insured or registered, or securities held by the District or its agents in the District's name. Category 2 provides for uninsured and unregistered securities held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered securities held by the counter party or by its trust department or agent, but not in the District's name.

In 2006, Regions Bank (Buyer), as the District's Trustee, entered into a guaranteed investment contract (GIC) with Hypo Public Finance Bank (Provider) to invest certain moneys held by the Trustee as per the Indenture Agreement. The investments are recorded at cost.

The guaranteed investment contract with Hypo Public Finance Bank (Provider) is for an initial deposit of \$4,694,268.28 to the Construction and Acquisition Fund, \$184,478.78 to the Initial Cap I Fund, and \$687,000.00 to the Initial Debt Service Fund with a 4.95% rate of earnings per annum with respect to the Construction and Acquisition Funds, 4.59% per annum with respect to the Cap I Fund, and 4.55% per annum with respect to the Debt Service Reserve Fund. This agreement matures on October 1, 2007, with respect to the Construction and Acquisition Fund and the Cap I Fund, and on October 1, 2021, with respect to the Debt Service Reserve Fund.

The permitted securities are a) direct obligations of the United States of America, fully and unconditionally guaranteed by the United States of America, maintained at 104% of market value; b) Government National Mortgage (GNMA) securities maintained at 104% of market value; c) Federal National Mortgage Association (FNMA) securities including participation certificates issued by FNMA, maintained at 105% of market value; d) Federal Home Loan Mortgage Corporation (FHLMC) securities, maintained at 105% of market value; and e) Federal Home Loan Bank (FHLB) securities, maintained at 105% of market value.

This agreement terminates at the first occurrence of: a) the respective Funds Maturity Date; b) the date of any termination pursuant to events of default per the agreement, c) the date of any termination pursuant to a rating downgrade; and, d) such date that all securities have been repurchased. The Funds maturity date is as follows:

| <u>Fund</u> | <u>Maturity Date</u> |
|---------------------------|----------------------|
| Debt Service Reserve Fund | October 1, 2021 |

At June 30, 2008, the District had \$687,000.00 in its investment agreement with Hypo Public Finance Bank. Hypo Public Finance Bank's agreement utilizes government backed investment vehicles lessening default risk. However, since the investments are purchased in the name of Hypo Public Finance Bank, the District is still exposed to custodial, credit concentration and interest rate risk.

Custodial risk is the risk that, in the event of failure by party holding the investment in their name, the District will not be able to recover the value of its investments in the possession of the defunct party. Credit Concentration risk is the risk that due to the lack of diversification in the District's investment portfolio, the District's custodial risk is completely reliant on a single institution's performance. Interest rate risk is the risk that the interest rate may change due to market or other influences, significantly enough to lessen the value of the District's investment.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

In October 2007, Hypo Public Finance Bank acquired DEPFA Bank PLC. On March 27, 2008, the Board adopted a resolution authorizing the Chairman to issue the appropriate letters of authorization to the Trustee as necessary and appropriate regarding the merger.

Custody Credit Risk Category

| Type of Investments | Total Bank Balance | 1 | 2 | 3 | Not Required to be Collateralized | Total Carrying Value |
|----------------------------|-------------------------------|----------|----------|----------|--|-------------------------------------|
| Trust Accounts | \$ 484,026.71 | - | - | - | \$ 484,026.71 | \$ 484,026.71 |
| Investment Agreements | 687,000.00 | - | - | - | 687,000.00 | 687,000.00 |
| Total | \$1,171,026.11 | - | - | - | \$ 1,171,026.71 | \$ 1,171,026.71 |

The District's Investments, excluding cash and cash equivalents, at June 30, 2009, are summarized below:

| Investment | Maturity Year | 1-5 Year Maturity |
|---|----------------------|--------------------------|
| Repurchase Agreement – Debt Service Reserve | 2021 | \$687,000.00 |
| Total | | \$687,000.00 |

4. BENEFIT AND MAINTENANCE SPECIAL ASSESSMENTS

Levy of Maintenance Special Assessment

There were no maintenance special assessments levied in 2009.

Levy of Benefit Special Assessments

The District's Special Assessments are a type of non-ad valorem benefit special assessments which are levied against District Lands based upon the special benefit to accrue to such District Lands as a result of the implementation of the Projects. Non-ad valorem assessments are not based upon millage and can become a lien against homestead property as permitted under the provisions of the Act.

Pursuant to the provisions of the Act, particularly Section 9039.29 (A), the Board determined, ordered, and levied the annual installment for year 2006 regarding the Special Benefit Assessments on all specially benefitted immovable property in the District, all as specified on the Assessment Schedule. The Board shall determine, order and levy the annual installment of the total benefit special assessments for bonds issued and related expenses to finance district facilities and projects which are levied under state law. These assessments may be due and collected during each year that parish taxes are due and collected, in which case such annual installment and levy shall be evidenced and certified to the Assessor by the Board not later than August 31st, of each year, and such assessment shall be entered by the Assessor on the parish tax rolls, and shall be collected and enforced by the tax collector in the same manner and at the same time as parish taxes, and the proceeds thereof shall be paid to the District. The District Board has opted to collect its own assessments and does not utilize the Parish Assessor nor tax collector. At the time of an initial sale of a lot or parcel of ground in the District, the Developer will cause to be prepaid the full amount of the Special Assessments set forth in this Assessment Methodology Report. Such prepayment shall reflect the full assessment owed with respect to such lot for a portion of the principal on the Bonds, and upon such prepayment, the lot shall be released from any further lien of the Indenture relating to the Bonds.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

Not later than thirty (30) days prior to each interest payment on the Bonds, the District shall levy a periodic special benefit assessment on all assessable property (other than lots which have been released due to prepayments) sufficient to pay interest due on such interest payment date. If the Board of Supervisors and the District Manager make a determination as of May 1 of each calendar year, in any year that the amount on deposit in the Debt Service Fund created by the Indenture is insufficient to pay debt service on the bonds on the next succeeding interest payment date, then the Board of Supervisors shall levy an annual special benefit assessment on all platted and un-platted assessable property within the District (other than lots which have been released by virtue of prepayments) in order to satisfy the debt service requirements for such particular year.

Special Assessments prepayments totaled \$0 in the current period.

Special Benefit Assessments were levied and paid during the current period in the amount of \$4,000. This was used to pay interest on the 2006 Bond Issue.

Enforcement of Lien Nonpayment

Collection of the Special Assessment levied under this Ordinance will be enforceable in the manner provided by law, particularly the provisions of Sections 9039.29 and 9039.30 of the Act. Special Assessments constitute a lien on the property until paid and shall be on parity with the lien of state, parish, municipal and school board taxes. A lien in favor of the District arising under RS 33:9039.30 may be enforced by the District in a court of competent jurisdiction as provided by law. Such proceedings may be brought at any time after the expiration of one year from the date that any tax, or installment thereof, becomes delinquent.

5. ASSESSMENTS RECEIVABLE

The assessments levied for the 2006 Bonds were \$6,244,830. This represents the bond par value of \$6,870,000, less the amount for the debt service reserve of \$687,000, plus an administrative fee of \$61,830.

The assessments levied have been accounted for in accounts receivable and deferred revenue. At the time the assessment are prepaid, the amount in the corresponding accounts is reduced by the prepayment.

The amount in assessments receivable as of June 30, 2009, is as follows:

2006 Bond Issue

| | |
|---|---------------------|
| Balance at July 1, 2008 | \$ 6,244,830 |
| Paid in fiscal year 2009 | - |
| Balance of Assessment Receivable at June 30, 2009 | <u>\$ 6,244,830</u> |

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

6. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | <u>Balance 06/30/08</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 06/30/09</u> |
|--|-----------------------------|---------------------|------------------|-----------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land for Infrastructure | <u>\$781,406.00</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$781,406.00</u> |
| Total Capital Assets Not Being Depreciated | <u>781,406.00</u> | <u>-</u> | <u>-</u> | <u>781,406.00</u> |
| Capital Assets Being Depreciated: | | | | |
| Entrance | 16,511.34 | 1,669.31 | - | 18,180.65 |
| Sewer Treatment | 207,358.69 | 22,491.06 | - | 229,849.75 |
| Sewer System | 365,668.46 | 39,691.16 | - | 405,359.62 |
| Streets | 2,888,851.71 | 352,248.76 | - | 3,241,100.47 |
| Water | 235,833.85 | 25,705.73 | - | 261,539.58 |
| Total Capital Assets Being Depreciated | <u>3,714,224.05</u> | <u>441,806.02</u> | <u>-</u> | <u>4,156,030.07</u> |
| Less: Accumulated Depreciation For: | | | | |
| Entrance | (822.29) | (725.84) | - | (1,548.13) |
| Sewer Treatment | (2,746.53) | (9,145.02) | - | (11,891.55) |
| Sewer System | (15,516.04) | (16,186.58) | - | (31,702.62) |
| Streets | (63,694.36) | (80,825.80) | - | (144,520.16) |
| Water | (8,521.33) | (10,436.22) | - | (18,957.55) |
| Total Accumulated Depreciation | <u>(91,300.55)</u> | <u>(117,319.46)</u> | <u>-</u> | <u>(208,620.01)</u> |
| Capital Assets Being Depreciated, Net | <u>3,622,923.50</u> | <u>324,486.56</u> | <u>-</u> | <u>3,947,410.06</u> |
| Total Capital Assets, Net | <u>\$4,404,329.50</u> | <u>\$324,486.50</u> | <u>\$ -</u> | <u>\$4,728,816.06</u> |

7. BOND ISSUE AND BOND DISCOUNT COSTS

Bond issuance and discount costs are amortized over the life of the bonds using the straight-line method. The changes in bond issuance and discounts are as follows:

Cost of Issuance

| | <u>Balance 06/30/08</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 06/30/09</u> |
|--------------------|-----------------------------|-----------------------|------------------|-----------------------------|
| 2006 Bond Issue | \$ 150,467.40 | \$ - | \$ - | \$ 150,467.40 |
| Less: Amortization | (15,046.74) | (10,031.16) | - | (25,077.90) |
| Total | <u>\$ 135,420.66</u> | <u>\$ (10,031.16)</u> | <u>\$ -</u> | <u>\$ 125,389.50</u> |

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

Bond Discount

| | Balance 06/30/08 | Additions | Deletions | Balance 06/30/09 |
|--------------------|---------------------|---------------|-----------|---------------------|
| 2006 Bond Issue | \$ 133,965.00 | \$ - | \$ - | \$ 133,965.00 |
| Less: Amortization | (13,396.50) | (8,931.00) | - | (22,327.00) |
| Total | \$ 120,568.50 | \$ (8,931.00) | \$ - | \$ 111,637.50 |

8. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during the period consist of:

| | Principal Outstanding Balance | Additions | Deletions | Principal Outstanding Balance |
|-----------------|-------------------------------------|-----------|-----------|-------------------------------------|
| 2006 Bond Issue | \$6,870,000 | \$ - | \$ - | \$6,870,000 |

Future Requirements
2006 Bond Issue

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|-----------------|-----------------|------------------|
| 2010 | \$ - | \$ 357,240.00 | \$ 357,240.00 |
| 2011 | - | 357,240.00 | 357,240.00 |
| 2012 | 140,000.00 | 353,600.00 | 493,600.00 |
| 2013 | 150,000.00 | 346,060.00 | 496,060.00 |
| 2014 | 155,000.00 | 338,130.00 | 493,130.00 |
| 2015-2016 | 905,000.00 | 1,557,530.00 | 2,462,530.00 |
| 2020-2021 | 5,520,000.00 | 684,320.00 | 6,204,320.00 |
| Total | \$ 6,870,000.00 | \$ 3,994,120.00 | \$ 10,864,120.00 |

The Board of Supervisors duly adopted on August 15, 2006, the Initial Resolution authorizing the issuance of not exceeding \$18,000,000 aggregate principal amount of its Whispering Springs Community Development District, Livingston Parish, State of Louisiana, Special Assessment Bonds, Series (To Be Designated), in one or more series, on one or more issuance dates (collectively, the "Bonds"), in order to pay all or a portion of the design, acquisition, and construction costs of certain infrastructure improvements from time to time constructed, established, or installed in the District, for the District, which Bonds will be issued pursuant to the Act and a Master Trust Indenture entered into between the District and Regions Bank, Baton Rouge, Louisiana as Trustee.

The Master Trust Indenture dated October 1, 2006, included provisions for the issuance of the Special Assessment Bonds, Series 2006, in the aggregate principal amount not to exceed \$25,000,000. The First Supplemental Trust Indenture dated October 1, 2006, included provisions for the issuance of the Special Assessment Bonds, Series 2006, in the aggregate principal amount of \$6,870,000.

The bond issue is collateralized by the pledged revenues of special assessments levied against the benefitted property. The District is not obligated in any manner for the special assessment debt.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

The 2006 Bonds were issued as single term bonds and shall bear interest and mature in principal amounts on October 1 as set forth below, subject to the right of prior redemption in accordance with their terms:

| <u>YEAR</u> | <u>PRINCIPAL AMOUNT</u> | <u>INTEREST</u> |
|-------------|-----------------------------|-----------------|
| 2011 | 140,000.00 | 5.2% |
| 2012 | 150,000.00 | 5.2% |
| 2013 | 155,000.00 | 5.2% |
| 2014 | 165,000.00 | 5.2% |
| 2015 | 170,000.00 | 5.2% |
| 2016 | 180,000.00 | 5.2% |
| 2017 | 190,000.00 | 5.2% |
| 2018 | 200,000.00 | 5.2% |
| 2019 | 210,000.00 | 5.2% |
| 2020 | 220,000.00 | 5.2% |
| 2021** | \$ 5,090,000.00 | 5.2% |

**Final Maturity

As a result of the deterioration of the national real estate market and capital markets, as well as the Livingston Parish real estate market, the District has been obliged to extend the construction time line and revise and reduce the size and scope of the 2006 Series Project. In a Supplemental Trust Indenture dated October 1, 2008, \$641,912.77 was transferred from the Series 2006 Acquisition and Construction Account to the Series 2006 Capitalized Interest Account to provide sufficient funds to pay for an additional twenty-four months of capitalized interest. The remaining balance of the Acquisition and Construction Account, \$205,579.81, was to be used in connection with the completion of the project. The balance in the Construction Account at June 30, 2009, was \$584.21. (See Note 6).

At June 30, 2009, the District accrued legal fees payable in the amount of \$14,706.44. These fees are to be paid as monies become available in the 2006 Administrative Account per Section 4.01(e) 1 of the First Supplemental Trust Agreement.

9. CONSTRUCTION COMMITMENTS

The District has no outstanding contracts for professional or contract services as of June 30, 2009.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, damage to, and theft or destruction, of assets, errors and omissions and natural disaster. The District has not maintained the required insurance coverage.

11. RELATED PARTIES

Certain board members are officers in the sole member company of the developer of the District.

Whispering Springs Community Development District
Notes to the Financial Statements (continued)
June 30, 2009

12. CONTINGENCIES

As of June 30, 2009, according to legal council, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements. According to legal counsel, legal fees accrued are due if funds become available in the Administrative Account.

13. PER DIEM PAID TO BOARD MEMBERS

Board Members of the Whispering Springs Community Development District did not receive any per diem payments during 2009.

14. FIDELITY BOND COVERAGE

Section 9.23 of the Master Trust Indenture requires that every officer, agent or employee of the District having custody or control of any revenues pledged pursuant to the Master Trust Indenture be bonded by a responsible corporate surety in an amount not less than the greatest amount reasonably anticipated to be within the custody or control of such officer, agent or employee at one time. The Board adopted Resolution 2007-03 on August 10, 2007, finding and determining that none of the District's officers, employees or agents have custody or control of any revenues pledged pursuant to the Master Trust Indenture and further finding and determining that it is unnecessary for the District to obtain the fidelity bond coverage specified in Section 9.23 of the Master Trust Indenture. Legal counsel for the District has determined that no fidelity bond coverage is required under the Master Trust Indenture for any of the current employees, officers or agents, other than the Trustee.

15. CHANGE IN FISCAL YEAR

Pursuant to Resolution 2008-01, adopted March 27, 2008, the District changed its fiscal year from December 31 to June 30, effective June 30, 2008.

16. NEGATIVE NET ASSETS

The District has negative net assets (liabilities exceed assets) of \$829,332.04 as of June 30, 2009. The District's ability to early pay or make payments according to the redemption schedule is dependent on the Development District lot sales and on real estate demand locally as well as regionally and nationally.

As a result of the deterioration of the national real estate market and capital markets, as well as the Livingston Parish real estate market, the District has been obliged to extend the construction time line and revise and reduce the size and scope of the 2006 Series Project. In a Supplemental Trust Indenture dated October 1, 2008, \$641,912.77 was transferred from the Series 2006 Acquisition and Construction Account to the Series 2006 Capitalized Interest Account to provide sufficient funds to pay for an additional twenty-four months of capitalized interest. The remaining balance of the Acquisition and Construction Account, \$205,579.81 will be used in connection of completion of the project.

Required Supplemental Information (Part II)

Whispering Springs Community Development District
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Schedule 1

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|---------------------|--|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts:</u> <u>GAAP</u> <u>Basis</u> | <u>Final Budget:</u> <u>Favorable</u> <u>(Unfavorable)</u> |
| Revenues | | | | |
| Other Assessments | \$ 362,240 | 4,000 | 4,000 | \$ - |
| Investment Earnings | 40,258 | 41,165 | 41,327 | 162 |
| Total Revenues | 402,498 | 45,165 | 45,327 | 162 |
| Expenditures | | | | |
| Trustee Fee | 5,000 | 4,000 | - | 4,000 |
| Legal Fees | - | - | - | - |
| <i>Capital Outlay:</i> | | | | |
| Capital Outlay | 1,326,000 | 435,386 | 441,806 | (6,420) |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | 357,240 | 357,240 | 357,240 | - |
| Total Expenditures | 1,688,240 | 796,626 | 799,046 | (2,420) |
| Excess Revenues over Expenditures | <u>(1,285,742)</u> | <u>(751,461)</u> | <u>(753,719)</u> | \$ <u>(2,258)</u> |
| Net Change in Fund Balance | (1,285,742) | (751,461) | (753,719) | |
| Fund Balance, Beginning of Year | <u>1,923,699</u> | <u>1,924,745</u> | <u>1,924,745</u> | |
| Fund Balance, End of Year | \$ <u>637,957</u> | \$ <u>1,173,284</u> | \$ <u>1,171,026</u> | |

The accompanying notes are integral part of these financial statements.

Whispering Springs Community Development District
Notes to the Budget
June 30, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Master Trust Indenture between the District and Regions Bank, Baton Rouge Louisiana, Section 9.18, requires the District to adopt a budget as required by applicable law. The Trust Indenture further requires that "On or before the first day of each Fiscal Year the Issuer shall adopt a final Annual Budget with respect to each Project for such Fiscal Year for the payment of anticipated operating and maintenance expense and shall supply a copy of such budget promptly upon the approval thereof to the Trustee and to any Bondholders who shall have so requested in writing and shall have filed their names and addresses with the Secretary of the Board for such purpose."

The District adopted a budget on June 27, 2008, and amended it on June 23, 2009.

The budget statement includes both the general and debt service fund transactions.

**MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.**

— Certified Public Accountants



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL STRUCTURE OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Whispering Springs Community Development District
8280 YMCA Dr., Suite 4-B
Baton Rouge, LA 70810**

We have audited the financial statements of the governmental activities and each major fund of the Whispering Springs Community Development District, as of and for the year ended June 30, 2009, which collectively comprise the Whispering Springs Community Development District's basic financial statements and have issued our report thereon dated February 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whispering Springs Community Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Whispering Springs Community Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Whispering Springs Community Development District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance

As part of obtaining reasonable assurance about whether the Whispering Springs Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, *noncompliance* with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that is required to be reported under *Government Auditing Standards* which are reported on the accompanying schedule of findings and questioned costs as Item 2009-1 and Item 2009-2.

This report is intended solely for the information and use of management, Whispering Springs Community Development District's Board of Directors, others within the entity, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Malcom M. Dienes, L.L.C.

Certified Public Accountant

February 23, 2010

**Whispering Springs Community Development District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

I have audited the basic financial statements of the Whispering Springs Community Development District as of and for the year ended June 30, 2009, and have issued my report thereon dated February 23, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2009, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Significant Deficiencies ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

2009-1 Timely Issuance of Audit

The audit of the year ended June 30, 2009 should have been completed and issued by December 31, 2009. The audit was issued subsequent to the deadline. The District should complete and issue the audit within statutory requirements.

Management's Response: Management intends to review the requirements and comply in the future.

2009-2 Adoption of Compliance Questionnaire

The Louisiana Governmental Audit and Accounting Guide requires that all entities subject to the audit requirements of LRS 24:513 must prepare and adopt a prescribed compliance questionnaire. The Whispering Springs Community Development District Board did not complete nor adopt the required questionnaire.

Management's Response: Management intends to prepare and adopt the prescribed compliance questionnaire in the future.

B. Federal Awards ☒ Not Applicable

Internal Control

Material Weaknesses ☐ Yes ☐ No Reportable Conditions ☐ Yes ☐ No

Type of Opinion On Compliance
For Major Programs

Unqualified ☐
Disclaimer ☐

Qualified ☐
Adverse ☐

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

☐ Yes ☐ No

Was a management letter issued? ☐ Yes ☒ No

C. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No

Section II Financial Statement Findings

No Section II Findings.

Section III Federal Award Findings and Questioned Costs

No Section III Findings.

**Whispering Springs Community Development District
Status of Prior Year Findings and Questioned Cost
Year Ended June 30, 2009**

Section I Internal Control and Compliance Material to the Financial Statements

2008-1 Insurance Coverage

The Master Trust Agreement requires that the bond issuer, Whispering Springs Community Development District carry general liability and other property damage insurance. We were unable to determine that such insurance has been procured by the issuer.

Current Year Status: Management has obtained insurance as necessary.

2008-2 Timely Issuance of Audit

The audit of the eighteen months ended June 30, 2008, should have been completed and issued by December 31, 2008. The audit was issued subsequent to the deadline. The District should complete and issue the audit within statutory requirements.

Current Year Status: Finding repeated for year ending June 30, 2009. See finding 2009-1.

Section II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

Section III Management Letter

No Section III Findings.

**MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.**



Certified Public Accountants

To the Board of Supervisors of
Whispering Springs Community Development District

We have audited the financial statements of the governmental activities and each major fund of Whispering Springs Community Development District for the year ended June 30, 2009, and have issued our report thereon dated February 23, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 3, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As a part of our audit, we considered the internal control of Whispering Springs Community Development District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Whispering Springs Community Development District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents, such as management's discussion and analysis and supplementary budgetary statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our Entrance Memorandum about planning matters on October 19, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Whispering Springs Community Development District are described in Note 1 to the financial statements; no new accounting policies were adopted and the application of existing policies was not

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changed during the fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense and useful life of capital assets is based on policy guidelines. We evaluated the key factors and assumptions used to develop the capital asset policy in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Assessment Methodology in Note 1 to the financial statements.

The disclosure of Benefit and Special Assessment in Note 4 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one adjustment in the amount of \$13,140.12 identified in the course of the audit that was not recorded.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 23, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the Board and management of Whispering Springs Community Development District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Malcom M. Dienes, L.L.C.

Certified Public Accountant

February 23, 2010